

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN

FINANCIAL STATEMENTS

FEBRUARY 29, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* VILLAGE OF BANCROFT	County* SHIAWASSEE	Type* VILLAGE	MuniCode* 78-3-010
Opinion Date-Use Calendar* Jul 31, 2008	Audit Submitted-Use Calendar* Aug 29, 2008	Fiscal Year End Month* 02	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the Michigan property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Auditors of Local Units of Government in Michigan as revised (see Appendix B of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 190,964.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 191,981.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 171,734.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* GERALDINE	Last Name* TERRY	Ten Digit License Number* 1101026880		
CPA Street Address* 217 N. WASHINGTON ST, ST	City* OWOSSO	State* MI	Zip Code* 48867	Telephone* +1 (989) 723-8227
CPA Firm Name* DEMIS & WENZLICK P.C.	Unit's Street Address* 217 N. WASHINGTON ST, ST	Unit's City* OWOSSO	Unit's Zip* 48867	

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
FEBRUARY 29, 2008

ELECTED OFFICIALS

Tanya Buckelew	President
Shana Post	Clerk
Lisa Fall	Treasurer
Bill Johnston	Trustee
Elizabeth Whitt	Trustee
Kevin Buckler	Trustee
Flora Nichols	Trustee
Fred Simpson	Trustee
Lon Woodbury	Trustee

VILLAGE OF BANCROFT
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DEMIS and WENZLICK, P.C.

Certified Public Accountants

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Barbara Wenzlick
Bruce Wenzlick

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Village of Bancroft
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bancroft as of and for the year then ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bancroft as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The introductory section and the other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Dennis and Wenglich, P.C.

Certified Public Accountants

July 31, 2008

MANAGEMENT'S DISCUSSION
AND ANALYSIS

VILLAGE OF BANCROFT MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Village of Bancroft's (the Village's) financial performance and position, providing an overview of the activities for the year ended February 29, 2008. This analysis should be read in conjunction with the Independent Auditors' Report and with the Village's financial statements, which follow this section. The fiscal year ended February 29, 2008, represents the second year the Village has reported under the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended by GASB Statement No. 37 Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments – Omnibus and Statement No. 38 Certain Financial Statement Note Disclosures. This discussion and analysis does not provide comparisons with previous years.

FINANCIAL RESULTS

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended February 29, 2008.

1. State Shared Revenue, one of our largest revenue sources in the General Fund decreased approximately \$852.
2. Property taxes and administrative fees increased approximately \$4,959.
3. State shared revenues for the Major and Local Street Funds; Act 51 money, decreased \$266 and \$89, respectively.
4. The fund balance of the Village's General Fund decreased \$1,017 to \$171,734.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village of Bancroft as a whole and represent a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of provided governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Village of Bancroft in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

VILLAGE OF BANCROFT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

VILLAGE AS A WHOLE

The following table shows, in a condensed format, the net assets of the Village as of February 29, 2008:

Current Assets	\$ 560,192
Capital Assets	<u>1,600,938</u>
TOTAL ASSETS	<u>\$2,161,130</u>
Current Liabilities	\$ 46,259
Non-Current Liabilities/Long-Term Liabilities	<u>1,412,000</u>
TOTAL LIABILITIES	<u>\$1,458,259</u>
NET ASSETS	<u>\$ 702,871</u>

The following table shows the change in net assets for the year ended February 29, 2008:

Program Revenues:	
Charges for Services	\$ 159,012
General Revenues:	
State Shared Revenues	119,567
Property Tax/Special Assessments	99,115
Interest Income	18,381
Franchise Fees	4,803
Other General Revenues	<u>19,528</u>
TOTAL REVENUES	<u>\$ 420,406</u>
Program Expenses:	
General Government	\$ 237,078
Equipment Rental	39,268
Water Services	<u>123,281</u>
TOTAL EXPENSES	<u>\$ 399,627</u>
CHANGE IN NET ASSETS	<u>\$ 20,779</u>

VILLAGE OF BANCROFT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENTAL ACTIVITIES

The Village's governmental revenues total \$420,406 with the greatest revenue sources being state shared revenues and water service fees, making up approximately 66 percent of total revenues.

The Village incurred expenses of \$399,627 during the year. The majority of the expenses are associated with the general government and equipment rental functions, as well as the expenses of the Water Fund.

THE VILLAGE'S FUNDS

The analysis of the Village's governmental funds begins on Page 10 following the government-wide financial statements. The fund financial statements provide detailed information about all the general government funds. The analysis of the Water Enterprise Funds is presented separately. The Village of Bancroft's Board of Trustees has the ability to create funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages and special assessments.

The General Fund pays for the majority of the Village's governmental services. The Water Improvement Fund paid for the building expense of the Water Tower and the Arsenic Treatment Plant. The fund paid \$102,263 toward the principal and interest on the Water Improvement Bonds. The Major and Local Street Funds paid a total of \$66,774 for maintenance and upkeep of roads and other public works.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the fiscal year, the Village Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the expected decrease in state shared revenue. Overall, the General Fund was over-budget by \$1,975.

CAPITAL ASSETS

At the end of the fiscal year, the Village had approximately \$83,755 (valued at historical cost) in assets which includes furniture, office equipment and software. Accumulated depreciation recorded for the general Village assets was \$31,588. The Equipment Fund had approximately \$248,075 (valued at historical cost) in assets with accumulated depreciation of \$158,374. The Water Operations Fund had approximately \$193,585 (valued at historical cost) in assets with \$124,859 of accumulated depreciation. The Water Improvement Fund had approximately \$1,418,131 (valued at historical cost) in assets which includes the Water Tower, Arsenic Treatment Plant and equipment. Accumulated depreciation on the Water Improvement Fund assets were \$41,925. The Arsenic Treatment Plant was completed during the fiscal year and included with the Water Improvement Fund assets.

VILLAGE OF BANCROFT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CURRENT ECONOMIC FACTORS

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional information, we encourage you to contact a Village Official at the Village Hall at (989)634-5375.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
FEBRUARY 29, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 252,111	\$ 262,948	\$ 515,059
Receivables (Within One Year)	14,930	21,232	36,162
Prepaid Expenses	6,694	2,277	8,971
Capital Assets Being Depreciated, Net	<u>52,167</u>	<u>1,548,771</u>	<u>1,600,938</u>
TOTAL ASSETS	<u>\$ 325,902</u>	<u>\$ 1,835,228</u>	<u>\$ 2,161,130</u>
LIABILITIES			
Accounts Payable	\$ 6,178	\$ 1,247	\$ 7,425
Accrued Liabilities		22,834	22,834
Notes Payable – Due Within One Year		16,000	16,000
Noncurrent Liabilities: Due Beyond One Year		<u>1,412,000</u>	<u>1,412,000</u>
TOTAL LIABILITIES	<u>\$ 6,178</u>	<u>\$ 1,452,081</u>	<u>\$ 1,458,259</u>
NET ASSETS			
Invested in Capital Assets (Net of Related Debt)	\$ 52,167	\$ 120,771	\$ 172,938
Restricted for:			
Bond Reserves		56,116	56,116
Unrestricted	<u>267,557</u>	<u>206,260</u>	<u>473,817</u>
TOTAL NET ASSETS	<u>\$ 319,724</u>	<u>\$ 383,147</u>	<u>\$ 702,871</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Net (Expense) Revenue</u>
FUNCTIONS/PROGRAMS			
Primary Government:			
General Government	\$ (14,616)	\$ 5,415	\$ (9,201)
Public Safety	(55,820)		(55,820)
Public Works	(160,765)		(160,765)
Community & Econ. Dev.	(2,239)		(2,239)
Recreation & Culture	<u>(3,638)</u>	<u> </u>	<u>(3,638)</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$(237,078)	\$ 5,415	\$(231,663)
BUSINESS-TYPE ACTIVITIES			
Equipment Rental	\$ (39,268)	\$ 35,441	\$ (3,827)
Water Services	(123,281)	<u>118,156</u>	<u>(5,125)</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$(162,549)	\$153,597	\$ (8,952)
TOTAL PRIMARY GOVERNMENT	\$(<u>399,627</u>)	\$159,012	\$ <u>240,615</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Assets			
Net (Expense) Revenue	<u>\$ (231,663)</u>	<u>\$ (8,952)</u>	<u>\$ (240,615)</u>
GENERAL REVENUES:			
Property Taxes/Special Assessments	\$ 99,115	\$	\$ 99,115
State Shared Revenue	119,567		119,567
Franchise Fees	4,803		4,803
Other Miscellaneous Income	19,528		19,528
Unrestricted Investment Earnings	<u>7,929</u>	<u>10,452</u>	<u>18,381</u>
TOTAL GENERAL REVENUES	<u>\$ 250,942</u>	<u>\$ 10,452</u>	<u>\$ 261,394</u>
Change in Net Assets	\$ 19,279	\$ 1,500	\$ 20,779
Net Assets, Beginning of Year	<u>300,445</u>	<u>381,647</u>	<u>682,092</u>
NET ASSETS, END OF YEAR	<u>\$ 319,724</u>	<u>\$ 383,147</u>	<u>\$ 702,871</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 29, 2008

	<u>General</u>	<u>Major Highway</u>	<u>Local Highway</u>	<u>Total Gov't Funds</u>
ASSETS:				
Cash & Cash Equivalents	\$154,768	\$ 72,876	\$ 24,467	\$252,111
Prepaid Expenses	6,694			6,694
Due from Other Funds	3,045		50	3,095
Accounts Receivable	<u>11,835</u>			<u>11,835</u>
TOTAL ASSETS	<u>\$176,342</u>	<u>\$ 72,876</u>	<u>\$ 24,517</u>	<u>\$273,735</u>
LIABILITIES:				
Accounts Payable	\$ 3,851	\$	\$	\$ 3,851
Due to Other Funds	<u>757</u>	<u>1,570</u>		<u>2,327</u>
TOTAL LIABILITIES	<u>\$ 4,608</u>	<u>\$ 1,570</u>	<u>\$</u>	<u>\$ 6,178</u>
FUND BALANCES:				
Unrestricted	\$171,734	\$ 71,306	\$ 24,517	\$267,557
TOTAL FUND BALANCES	<u>\$171,734</u>	<u>\$ 71,306</u>	<u>\$ 24,517</u>	<u>\$267,557</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$176,342</u>	<u>\$ 72,876</u>	<u>\$ 24,517</u>	<u>\$273,735</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
FEBRUARY 29, 2008

Fund Balances – Total Governmental Funds	\$267,557
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital Assets	83,755
Deduct: Accumulated Depreciation	<u>(31,588)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$319,724</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>General Fund</u>	<u>Major Highway Fund</u>	<u>Local Highway Fund</u>	<u>Total Gov't Funds</u>
REVENUES:				
Property Taxes & Special Assessments	\$ 98,142	\$	\$	\$ 98,142
Administrative Fees	973			973
Charges for Services	5,415			5,415
Intergovernmental-State	64,749	41,563	13,255	119,567
Interest	6,137	388	1,404	7,929
Miscellaneous Other Rev.	<u>15,548</u>	<u>8,783</u>		<u>24,331</u>
TOTAL REVENUES	\$190,964	\$ 50,734	\$ 14,659	\$256,357
EXPENDITURES:				
General Government	\$ 14,616	\$	\$	\$ 14,616
Public Safety	77,681			77,681
Public Works	93,807	38,228	28,546	160,581
Community & Econ. Dev.	2,239			2,239
Recreation & Culture	<u>3,638</u>			<u>3,638</u>
TOTAL EXPENDITURES	\$191,981	\$ 38,228	\$ 28,546	\$258,755
REVENUES OVER (UNDER) EXPEND.	\$ (1,017)	\$ 12,506	\$ (13,887)	\$ (2,398)
OTHER FINANCING SOURCES (USES):				
Transfers In	\$	\$	\$ 10,391	\$ 10,391
Transfers Out	<u> </u>	<u>(10,391)</u>	<u> </u>	<u>(10,391)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u> </u>	\$ <u>(10,391)</u>	\$ <u>10,391</u>	\$ <u> </u>
Net Changes in Fund Bal.	\$ (1,017)	\$ 2,115	\$ (3,496)	\$ (2,398)
Fund Balances				
March 1, 2007	<u>172,751</u>	<u>69,191</u>	<u>28,013</u>	<u>269,955</u>
FUND BALANCES				
FEBRUARY 29, 2008	\$ <u>171,734</u>	\$ <u>71,306</u>	\$ <u>24,517</u>	\$ <u>267,557</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008

Net Change in Fund Balances – Total Governmental Funds	\$(2,398)
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Amounts Reported for Governmental Activities in the Statement
of Activities are Different Because:

Governmental Funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Add: Purchase of Capital Assets	24,366
Deduct: Depreciation Expense	<u>(2,689)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$19,279</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 29, 2008

	<u>Equipment</u>	<u>Water Operations</u>	<u>Water Improvement</u>	<u>Total</u>
ASSETS:				
Current Assets:				
Cash & Investments	\$ 77,315	\$ 129,502	\$ 56,131	\$ 262,948
Receivables:				
Water Service		20,753		20,753
Due from Other Funds		479		479
Prepaid Expenses	<u>1,829</u>	<u>448</u>	<u> </u>	<u>2,277</u>
TOTAL CURRENT ASSETS	\$ 79,144	\$ 151,182	\$ 56,131	\$ 286,457
CAPITAL ASSETS:				
Fixed Assets	\$ 248,075	\$ 193,586	\$1,418,131	\$1,859,792
Bond Fees			14,500	14,500
Less: Accum Deprec/ Amortization	<u>(158,374)</u>	<u>(124,859)</u>	<u>(42,288)</u>	<u>(325,521)</u>
NET CAPITAL ASSETS	\$ 89,701	\$ 68,727	\$1,390,343	\$1,548,771
TOTAL ASSETS	\$ <u>168,845</u>	\$ <u>219,909</u>	\$ <u>1,446,474</u>	\$ <u>1,835,228</u>
LIABILITIES:				
Current Liabilities:				
Current Portion of Long- Term Debt	\$	\$	\$ 16,000	\$ 16,000
Due to Other Funds	1,247			1,247
Accrued Interest Payable	<u> </u>	<u> </u>	<u>22,834</u>	<u>22,834</u>
TOTAL CURRENT LIABILITIES	\$ <u>1,247</u>	\$ <u> </u>	\$ <u>38,834</u>	\$ <u>40,081</u>
OTHER NON-CURRENT LIABILITIES:				
Long-Term Debt	\$	\$	\$1,428,000	\$1,428,000
Less: Current Portion	<u> </u>	<u> </u>	<u>(16,000)</u>	<u>(16,000)</u>
TOTAL NON-CURRENT LIABILITIES	\$ <u> </u>	\$ <u> </u>	\$ <u>1,412,000</u>	\$ <u>1,412,000</u>
NET ASSETS:				
Investment in Capital Assets (Net of Related Debt)	\$ 89,701	\$ 68,727	\$ (37,657)	\$ 120,771
Restricted Assets			56,116	56,116
Unrestricted	<u>77,897</u>	<u>151,182</u>	<u>(22,819)</u>	<u>206,260</u>
TOTAL NET ASSETS	\$ <u>167,598</u>	\$ <u>219,909</u>	\$ <u>(4,360)</u>	\$ <u>383,147</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Equipment</u>	<u>Water Operations</u>	<u>Water Improvement</u>	<u>Total</u>
OPERATING REVENUES:				
Water Usage Fees	\$	\$109,427	\$	\$109,427
Shut Off Fees & Penalties		4,229		4,229
Equipment Rental	<u>35,441</u>	<u>4,500</u>	<u> </u>	<u>39,941</u>
TOTAL OPERATING REVENUES	\$ 35,441	\$118,156	\$	\$153,597
OPERATING EXPENSES:				
Audit Expense	\$ 1,200	\$ 1,200	\$	\$ 2,400
Salaries	5,472	15,109		20,581
Operating Expenses	9,279	14,112	1,897	25,288
Repairs & Maintenance	2,244	867		3,111
Depreciation & Amort.	17,753	8,813	21,325	47,891
Employee Benefits	1,569	1,759		3,328
Insurance	1,751	936		2,687
Interest	<u> </u>	<u> </u>	<u>57,263</u>	<u>57,263</u>
TOTAL OPERATING EXPENSES	\$ <u>39,268</u>	\$ <u>42,796</u>	\$ <u>80,485</u>	\$ <u>162,549</u>
OPERATING INCOME (LOSS)	\$ (3,827)	\$ 75,360	\$(80,485)	\$ (8,952)
NON-OPERATING REVENUES (EXPENSES):				
Transf. to Other Funds	\$	\$(75,589)	\$	\$(75,589)
Transf. from Other Funds			75,589	75,589
Interest on Investments	<u>3,330</u>	<u>5,076</u>	<u>2,046</u>	<u>10,452</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ <u>3,330</u>	\$(70,513)	\$ <u>77,635</u>	\$ <u>10,452</u>
Change in Net Assets	\$ (497)	\$ 4,847	\$ (2,850)	\$ 1,500
Net Assets, Beginning of Year	<u>168,095</u>	<u>215,062</u>	<u>(1,510)</u>	<u>381,647</u>
NET ASSETS, END OF YEAR	<u>\$167,598</u>	<u>\$219,909</u>	<u>\$ (4,360)</u>	<u>\$383,147</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Business -Type Activities</u>			<u>Governmental</u>
	<u>Water</u>	<u>Water</u>		<u>Activities</u>
	<u>Operations</u>	<u>Improvement</u>	<u>Total</u>	<u>Internal Service</u>
				<u>(Equipment)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	\$ 119,538	\$	\$ 119,538	\$35,441
Cash Paid to Suppliers	(18,075)	(1,897)	(19,972)	(13,024)
Cash Paid to Employees	(15,109)		(15,109)	(5,472)
Cash Paid for Employees Benefits	<u>(1,759)</u>	<u> </u>	<u>(1,759)</u>	<u>(1,569)</u>
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	\$ 84,595	\$ (1,897)	\$ 82,698	\$15,376
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	\$ (2,100)	\$(356,897)	\$(358,997)	\$ (3,214)
Bond Proceeds		373,000	373,000	
Payments on Bonds		(45,000)	(45,000)	
Interest Expense		(52,345)	(52,345)	
Transfer In		75,589	75,589	
Transfer Out	<u>(75,589)</u>	<u> </u>	<u>(75,589)</u>	<u> </u>
NET CASH (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (77,689)	\$ (5,653)	\$ (83,342)	\$ (3,214)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Earned	<u>\$ 5,076</u>	<u>\$ 2,046</u>	<u>\$ 7,122</u>	<u>\$ 3,330</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 11,982</u>	<u>\$ (5,504)</u>	<u>\$ 6,478</u>	<u>\$15,492</u>
Cash and cash equivalents, Beginning of year	<u>\$117,520</u>	<u>\$ 61,635</u>	<u>\$ 179,155</u>	<u>\$61,823</u>
Cash and cash equivalents, end of year	<u>\$129,502</u>	<u>\$ 56,131</u>	<u>\$ 185,633</u>	<u>\$77,315</u>

DISCLOSURE OF ACCOUNTING POLICY:

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 29, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Bancroft conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A - REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the government is able to exercise oversight responsibility. Based upon the application of these criteria, there are no component units that need to be included in the Village's annual report.

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

GENERAL FUND – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)

MAJOR STREET FUND – The Major Street Fund is used to receive all Major Street monies paid to the Village by the State for construction, maintenance and other operations to all streets classified as Major Streets.

LOCAL STREET FUND – The Local Street Fund is used to receive all Local Street monies paid to the Village by the State for construction, maintenance, and other authorized operations to all streets classified as Local Streets.

The Village reports the following major proprietary funds:

WATER OPERATIONS FUND – The Water Operations Fund is used to account for water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations and maintenance.

EQUIPMENT FUND – The Equipment Fund is used to account for intergovernmental charges for operating expenses of equipment of the Police Department and the Department of Public Works.

WATER IMPROVEMENT FUND – The Water Improvement Fund is used to account for the assets, liabilities and related debt service for the building of the Water Tower, Water Treatment System and the Arsenic Treatment Plant.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water fund and equipment fund and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D - ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Certificates of Deposit with a maturity date of three months or less are considered short-term investments.

RECEIVABLES AND PAYABLES - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes are levied on June 30, on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on November 1, at which time penalties and interest are assessed.

INVENTORIES AND PREPAID ITEMS – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CAPITAL ASSETS – Capital assets, which include property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D - ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

COMPENSATED ABSENCES (VACATION AND SICK LEAVE) - The Village does not have a policy for paid vacation or sick leave. There are no expenditures recorded for sick leave or vacation pay.

LONG-TERM OBLIGATIONS – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

FUND EQUITY – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. Annual appropriated budgets are adopted for General, Special Revenue and Capital Projects Funds.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the fund level.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. (Alternative: Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.)

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the account of federally insured banks, credit unions, savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

INVESTMENT AND DEPOSIT RISK:

INTEREST RATE RISK – State law limits the allowable investments and the maturities of some of the allowable investments as identified in the above list of authorized investments. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CREDIT RISK – State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. In compliance with State law, the Village's investment policy limits investments to the top two ratings issued by nationally recognized statistical rating organizations. The Village's investment policy does not have specific limits in excess of State law on investment credit risk.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENT AND DEPOSIT RISK (CONTINUED):

CUSTODIAL CREDIT RISK – DEPOSITS – Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year end \$258,943 of the Village's bank deposits of \$515,059 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CUSTODIAL CREDIT RISK – INVESTMENTS - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. There were no investments held by the Village at year end.

CONCENTRATION OF CREDIT RISK – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of state law on concentration of credit risk. There were no investments that exceeded 5% of the Village's total investments at year end.

At year end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Deposits</u>	<u>FDIC Insured</u>	<u>Uninsured/ Uncollateralized</u>
Government-Wide Financial Statements:			
Checking	<u>\$252,111</u>	<u>\$100,000</u>	<u>\$152,111</u>
CASH & INVESTMENTS	<u>\$252,111</u>	<u>\$100,000</u>	<u>\$152,111</u>
Fiduciary Fund Financial Statements:			
Checking	<u>\$206,832</u>	<u>\$</u>	<u>\$106,832</u>
Savings	<u>56,116</u>	<u>100,000</u>	
	<u>\$262,948</u>	<u>\$100,000</u>	<u>\$106,832</u>

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2008, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets being Depreciated:				
Building Improvements	\$ 24,570	\$	\$	\$ 24,570
General Fixed Assets	<u>89,819</u>	<u>24,366</u>	<u>(55,000)</u>	<u>59,185</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$114,389	\$ 24,366	\$ (55,000)	\$ 83,755
Less Accumulated Depreciation for:				
Building Improvements	\$ (2,214)	\$ (969)	\$	\$ (3,183)
General Fixed Assets	<u>(81,119)</u>	<u>(2,286)</u>	<u>55,000</u>	<u>(28,405)</u>
TOTAL ACCUMULATED DEPRECIATION	\$ (83,333)	\$ (3,255)	\$ 55,000	\$ (31,588)
Total Capital Assets being Depreciated, Net	\$ <u>31,056</u>	\$ <u>21,111</u>	\$ _____	\$ <u>52,167</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ <u>31,056</u>	\$ <u>21,111</u>	\$ _____	\$ <u>52,167</u>

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
BUSINESS-TYPE ACTIVITIES:				
Capital Assets not being Depreciated:				
Construction in Progress	\$ <u>27,600</u>	\$ <u>342,397</u>	\$(369,997)	\$ _____
Capital Assets being Depreciated:				
Public Infrastructure	\$1,048,134	\$ 369,997	\$	\$1,418,131
Water Operations Equip.	191,485	2,100		193,585
Public Works Equipment	<u>244,861</u>	<u>3,214</u>	_____	<u>248,075</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$1,484,480	\$ 375,311	\$	\$1,859,791
LESS ACCUMULATED DEPRECIATION FOR:				
Public Infrastructure	\$ (20,963)	\$ (20,962)	\$	\$ (41,925)
Water Operations Equipment	(116,047)	(8,812)		(124,859)
Public Works Equipment	<u>(140,621)</u>	<u>(17,753)</u>	_____	<u>(158,374)</u>
TOTAL ACCUMULATED DEPRECIATION	\$ (277,631)	\$ (47,527)	\$ _____	\$ (325,158)
Total Capital Assets being Depreciated, Net	\$1,206,849	\$ 327,784	\$	\$1,534,633
Capital Assets being Amortized				
Bond Fees	<u>14,500</u>	_____	_____	<u>14,500</u>
Less Accumulated Amortization for:				
Bond Fees	_____	<u>(363)</u>	_____	<u>(363)</u>
Total Capital Assets being Amortized, Net	\$ <u>14,500</u>	\$ <u>(363)</u>	\$ _____	\$ <u>14,137</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ <u>1,248,949</u>	\$ <u>669,818</u>	\$(369,997)	\$ <u>1,548,770</u>

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at February 29, 2008, is as follows:

	<u>Due from Receivable</u>	<u>Due to Payable</u>
General	\$ 2,817	\$ 529
Major Highway		1,570
Local Highway	50	
Equipment	228	1,475
Water Operations	<u>479</u>	
	<u>\$ 3,574</u>	<u>\$ 3,574</u>

NOTE 6 – WATER FUND OBLIGATIONS

On December 5, 2000, the Village of Bancroft financed bonds payable for \$600,000 for the construction of its Water System. These bonds mature on November 1, of each year and are payable with interest at 4.75% per annum.

On October 15, 2004, the Village financed additional bonds for \$500,000, also to be used for water system construction. These bonds mature on October 1, of each year and are payable with interest at 4.375% per annum.

On January 25, 2007, the Village financed additional bonds for \$390,000, Series A and \$26,000, Series B, for the construction of the Arsenic Treatment Plant. These bonds mature on October 1, of each year and are payable with interest at 4.125% per annum. As of February 29, 2008, the Series B bonds were paid in full.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 6 – WATER FUND OBLIGATIONS (CONTINUED)

The maturities on the bonds are as follows:

<u>Year Ended</u> <u>October 1,</u>	<u>Principal</u> <u>Amount Due</u>	<u>Interest</u> <u>Amount Due</u>	<u>Total</u> <u>Amount Due</u>
2008	\$ 16,000	\$ 65,436	\$ 81,436
2009	17,000	64,701	81,701
2010	18,000	63,919	81,919
2011	19,000	63,089	82,089
2012	20,000	62,218	82,218
2013-2017	113,000	296,600	409,600
2018-2022	141,000	264,564	405,564
2023-2027	179,000	232,305	411,305
2028-2032	222,000	187,304	409,304
2033-2037	279,000	131,048	410,048
2038-2042	277,000	60,590	337,590
2043-2046	<u>130,000</u>	<u>9,454</u>	<u>139,454</u>
	<u>\$1,431,000</u>	<u>\$1,501,228</u>	<u>\$2,932,228</u>

NOTE 7 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for the budgetary funds were adopted to the fund level.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 7 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (CONTINUED)

During the year ended February 29, 2008, the Village did incur expenditures in excess of the amounts appropriated, as follows:

	<u>Appropriated</u>	<u>Actual</u>	<u>Actual Over Appropriated</u>
General Fund	\$190,006	\$191,981	\$1,975
Local Street Fund	27,800	28,546	746
Equipment Fund	38,200	39,268	1,068
Combined Water Funds	116,600	123,283	6,683

NOTE 8 – COMPENSATED ABSENCES

No liability is accrued at February 29, 2008 as it is less than one year's liability.

NOTE 9 – PENSION PLANS

Beginning March 1, 2006, pension benefits are provided for all full time employees. Twenty years of prior services benefits were purchased for a Department of Public Works employee that retired. Current benefit costs of \$3,529 were incurred by the Village.

NOTE 10 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries and illnesses of employees; and natural disasters. The Village carries commercial insurance to cover any potential claims associated with these risks and has no claims that exceeded coverage during the past three years.

VILLAGE OF BANCROFT
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2008

NOTE 11 – RECEIVABLES

Receivables as of year end for the Government's Major and Non-Major Funds are as follows:

	<u>General</u>	<u>Water Operations</u>
Accounts Receivable – Billings	\$	\$20,753
State Revenue	11,438	
Delinquent Taxes	<u>398</u>	
GROSS RECEIVABLES	<u>\$11,836</u>	<u>\$20,753</u>
Due Within One Year	<u>\$11,836</u>	<u>\$20,753</u>

NOTE 12 – INTERFUND OPERATING TRANSFERS

	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>
Major Street	\$	\$10,391
Local Street	10,391	
Water Operations	75,590	
Water Improvement		75,590

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF BANCROFT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED FEBRUARY 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Current Property Taxes	\$	\$	\$ 80,959	\$
Delinquents & Assmts.			17,183	
Tax Admin. Fee			973	
State Shared Revenues			64,749	
Franchise Fees			4,803	
Licenses & Permits			2,766	
Fines			1,121	
Interest & Dividends			6,137	
Hall Rental			2,030	
Miscellaneous			<u>10,243</u>	
TOTAL REVENUES	<u>\$174,554</u>	<u>\$190,006</u>	<u>\$190,964</u>	<u>\$ 958</u>
EXPENDITURES:				
General Government	\$	\$	\$ 14,616	\$
Public Safety			77,681	
Public Works			93,807	
Community & Econ. Dev.			2,239	
Recreation & Culture			<u>3,638</u>	
TOTAL EXPENDITURES	<u>\$174,554</u>	<u>\$190,006</u>	<u>\$191,981</u>	<u>\$ (1,975)</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	\$	\$	\$ (1,017)	\$ (1,017)
OTHER FINANCING SOURCES:				
Transfers In	\$	\$	\$	\$
Transfers Out	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ </u>	<u>\$ </u>	<u>\$ (1,017)</u>	<u>\$ (1,017)</u>
Fund Balance March 1, 2007			<u>172,751</u>	
FUND BALANCE FEBRUARY 29, 2008			<u>\$171,734</u>	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED FEBRUARY 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Shared Revenue	\$	\$	\$ 41,563	\$
Interest Income			388	
Misc. Income			<u>8,783</u>	
TOTAL REVENUES	\$ <u>47,000</u>	\$ <u>47,000</u>	\$ 50,734	\$ <u>3,734</u>
EXPENDITURES:				
Salaries	\$	\$	\$ 10,806	\$
Miscellaneous			174	
Repairs			3,592	
Equipment Rental			13,505	
Supplies			1,799	
Street Renewal			822	
Disability Insurance			5,507	
Health Insurance			823	
Legal & Accounting			<u>1,200</u>	
TOTAL EXPENDITURES	\$ <u>47,000</u>	\$ <u>47,000</u>	\$ <u>38,228</u>	\$ <u>8,772</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$	\$	\$ 12,506	\$12,506
OTHER FINANCING USES:				
Transfers Out	_____	_____	(10,391)	(10,391)
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ _____	\$ _____	\$ 2,115	\$ <u>2,115</u>
Fund Balance March 1, 2007			<u>69,191</u>	
FUND BALANCE FEBRUARY 29, 2008			\$ <u>71,306</u>	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED FEBRUARY 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Shared Revenue	\$	\$	\$ 13,255	\$
Interest Earned			<u>1,404</u>	
TOTAL REVENUES	\$ <u>27,800</u>	\$ <u>27,800</u>	\$ 14,659	\$(13,141)
EXPENDITURES:				
Salaries	\$	\$	\$ 7,238	\$
Street Renewal			5,507	
Supplies			785	
Repairs			3,721	
Equipment Rentals			8,443	
Retirement			584	
Disability Insurance			245	
Health Insurance			823	
Legal & Accounting			<u>1,200</u>	
TOTAL EXPENDITURES	\$ <u>27,800</u>	\$ <u>27,800</u>	\$ <u>28,546</u>	\$ <u>(746)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$	\$	\$ (13,887)	\$(13,887)
OTHER FINANCING SOURCES:				
Transfers In	<u> </u>	<u> </u>	\$ <u>10,391</u>	\$ <u>10,391</u>
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ <u> </u>	\$ <u> </u>	\$ (3,496)	\$ <u>(3,496)</u>
Fund Balance March 1, 2007			<u>28,013</u>	
FUND BALANCE FEBRUARY 29, 2008			<u>\$ 24,517</u>	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
EQUIPMENT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED FEBRUARY 29, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OPERATING REVENUES:				
Equipment Rentals	\$	\$	\$ 35,441	\$
Interest Income			<u>3,330</u>	
TOTAL REVENUES	\$ <u>38,200</u>	\$ <u>38,200</u>	\$ 38,771	\$ 571
OPERATING EXPENSES:				
Salaries	\$	\$	\$ 5,472	\$
Gas & Oil			6,552	
Operating Supplies			2,727	
Depreciation			17,753	
Repairs & Maintenance			2,244	
Equipment				
Audit			1,200	
Insurance			1,751	
Retirement			501	
Disability Insurance			245	
Health Insurance			<u>823</u>	
TOTAL EXPENSES	\$ <u>38,200</u>	\$ <u>38,200</u>	\$ <u>39,268</u>	\$ <u>(1,068)</u>
NET INCOME (LOSS)	\$	\$	\$ (497)	\$ (497)
OTHER FINANCING SOURCES:				
Transfers In	\$ _____	\$ _____	\$ _____	\$ _____
EXCESS OF REVENUES & OTHER FINANCING SOURCES OVER EXPENSES	\$ _____	\$ _____	\$ (497)	\$ <u>(497)</u>
Retained Earnings March 1, 2007			<u>168,095</u>	
RETAINED EARNINGS FEBRUARY 29, 2008			<u>\$167,598</u>	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT
WATER FUNDS - COMBINED
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED FEBRUARY 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Charges for Services	\$	\$	\$113,356	\$
Interest Income			7,122	
Hydrant Rent & Misc.			4,800	
TOTAL REVENUES	\$116,600	\$116,600	\$125,278	\$ 8,678
OPERATING EXPENSES:				
Salaries	\$	\$	\$ 15,109	\$
Operating Supplies			2,721	
Repairs & Maintenance			867	
Equipment Rental			3,691	
Contracted Services				
Utilities & Telephone			6,164	
Audit & Legal			1,419	
Interest Expense			57,263	
Insurance			936	
Depreciation			29,776	
Amortization			362	
Computer Software			220	
Lab Fees			1,622	
Miscellaneous			1,373	
Retirement			692	
Disability Insurance			245	
Health Insurance			823	
TOTAL EXPENSES	\$116,600	\$116,600	\$123,283	\$ (6,683)
OPERATING INCOME (LOSS)	\$	\$	\$ 1,995	\$ 1,995
OTHER FINANCING USES:				
Transfers In	\$	\$	\$	\$
Transfers Out				
NET INCOME (LOSS)	\$	\$	\$ 1,995	\$ 1,995
Retained Earnings March 1, 2007			213,551	
RETAINED EARNINGS FEBRUARY 29, 2008			\$215,546	

The accompanying notes are an integral part of these financial statements.



DEMIS and WENZLICK, P.C.

Certified Public Accountants

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Bruce Wenzlick

Members of the Village Council
Village of Bancroft
Shiawassee County, Michigan

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Village of Bancroft for the year ended February 29, 2008.

BUDGET

The Michigan Public Act 621 of 1978, includes compliance requirements in budgeting. Total expenditures cannot exceed total budgeted revenues plus beginning fund balance. Expenditures should be reviewed periodically and the budget amended before incurring any expense which would exceed the budgeted amounts.

BANK RECONCILIATIONS

Bank reconciliations should be performed monthly and attached to the bank statements or otherwise kept in files. All outstanding checks and deposits should be investigated regularly and dealt within an appropriate manner.

GENERAL LEDGER

The Village should be using the Uniform Chart of Accounts. Originally, the Chart of Accounts used was correct, however, new accounts have been added. Some of the new accounts are out of order, (liabilities before assets) and some do not have account numbers associated with them.

We recommend review of the fund chart of accounts, and corrections made to comply with the Uniform Chart of Accounts. A copy of the Uniform Chart of Accounts can be provided.

INTERFUND RECONCILIATIONS

Whenever interfund payments or charges are made, the related due to/due from accounts need to be reconciled. Such as, if the general fund pays a repair and maintenance bill for local street fund, it should be included in the due from local street on the general fund and due to general fund in the local street account.

We wish to thank the council for the excellent cooperation we received in performing the Village audit. If we can be of any further assistance to the Village on these matters or any future matters, please do not hesitate to contact us.

Very truly yours,

Dennis and Lengfisch, P.C.

Certified Public Accountants